

Kansas Unemployment Insurance Trust Fund Fact Sheet

About the Trust Fund:

- The Trust Fund is funded by employers' contributions through the unemployment insurance tax and the interest earned from that money.
- Employers' contribution rates are determined based on several factors, including their length of time in business, their experience rating and the level of the Trust Fund balance.
- In addition to the contribution revenues and the interest earned on that money, the Trust Fund also contains federal Reed Act distributions and other funds specifically allocated for non-benefit expenses. In Kansas, these funds account for approximately \$39 million of the Trust Fund balance.
- Trust Fund dollars are used primarily to pay unemployment benefits to claimants, except for the special funds that are allocated to specific administrative expenses.
- Under state law, if the balance of the Trust Fund on July 31 of the current year meets the state's average high cost multiple, employers can be granted a reduction in their contribution amount for the coming calendar year.
 - Kansas' average high cost multiple threshold is 1.2, which means the balance of the Trust Fund is sufficient - without additional revenue - to provide benefits for 1.2 years at a rate equivalent to the rate during the worst three quarters of the past 20 years.
 - These contribution reductions have been in place in Kansas for the past three years, saving Kansas employers an estimated \$286 million.
- In the first quarter of 2009, the U.S. Department of Labor listed Kansas 19th among 54 states and territories in terms of trust fund solvency.
- The current trust fund balance is \$349,050,097.

About Borrowing to Supplement the Trust Fund:

- States may seek advances from the U.S. Treasury if they have depleted their unemployment trust funds.
- Currently, 18 states are borrowing money for their unemployment insurance trust funds. That number is expected to increase in the coming months.
- There is no timeframe in which the advances must be repaid, however:
 - states are typically charged interest on their unpaid balances and the interest owed must be paid by Sept. 30 of each year or a penalty can be assessed. As a provision of the American Reinvestment and Recovery Act, interest on advances is waived through Dec. 31, 2010.

- Work is still underway to determine how much the state may need to borrow from the federal government.
- The Employment Security Advisory Council will be working to develop a recommendation for the Governor and the Legislature on how best to generate funds to repay the federal advance.

About Recent Distributions from the Trust Fund:

- The outflow of benefits from the UI Trust Fund has increased to an unprecedented level over a short time span.
 - Prior to the current recession, the highest monthly benefit payment amount was \$39 million in July 2003.
 - In December 2008, the monthly benefit payment was \$46 million. By June 2009, that figure had increased significantly to \$78 million.
- One reason for the sharp rise in outflows from the trust fund is a dramatic increase in the number of weeks individuals receive unemployment benefits.
 - For the week ending June 30, 2009, the number of weeks compensated for the month was 225,326.
 - That's a 223.7 percent increase from the same time the previous year when the number of weeks compensated was 69,607.
- A marked increase in the reciprocity rate – the percent of unemployed individuals who qualify for unemployment benefits – is another contributing factor.
 - In previous recessions, as the total unemployment rate has risen, the insured unemployment rate (those individuals who are eligible for benefits) has risen more slowly.
 - In the current recession we have seen the opposite trend, in fact the 2009 reciprocity rate is the highest since 1976.
- The number of individuals entering the unemployment insurance system, as represented by the number of initial claims, has also been increasing significantly.
 - In 2009, during the months January through June the number of initial claims totaled 147,558 – a 122.4 percent increase from the same time period in 2008 when initial claims totaled 66,334.